

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

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TAGS: ECON, EFIN, EIND, MASS, PINT, GR

SUBJECT: CALL ON MINISTER OF COORDINATION ZOLOTAS

1. SUMMARY - DURING MY INITIAL CALL JULY 31, MINISTER XENOPHON ZOLOTAS WAS MOST CORDIAL. HE WAS OBVIOUSLY ENJOYING, AND WAS FULLY IMMERSSED IN, HIS ROLE OF HELPING HIS COUNTRY BOTH TO OVERCOME A MAJOR CONSTITUTIONAL CRISIS AND TO SET AN ECONOMIC COURSE THAT WOULD START TO DISPEL THE MISTAKES OF THE PAST WHILE SQUARELY FACING GREECE'S MAJOR ECONOMIC PROBLEMS OF INFLATION AND WORSENING BALANCE OF PAYMENTS. IN RESPONSE TO MY QUERIES HE PROVIDED FOLLOWING SIGNIFICANT COMMENTS.

2. PERFORMANCE OF CARAMANLIS - ZOLOTAS IS CONFIDENT THAT, IF CYPRUS SITUATION DOES NOT BOIL OVER, CARAMANLIS CAN HOLD THINGS TOGETHER AND IS FULLY CAPABLE OF PLACATING BOTH POLITICIANS AND MILITARY. HE ADDED THAT CARAMANLIS IS JUST AS EFFECTIVE AS EVER AND, DEPENDING ON WHAT THE SITUATION DEMANDS, CAN BE THE SUAVEST PERSUADER OR A DRILL SERGEANT WHO CAN DEMAND COMPLIANCE IN COARSEST PEASANT LANGUAGE. ZOLOTAS SAID PRESIDENT GHIZIKIS AND GENERALS HAD APPARENTLY BEEN WILLING DURING JULY 23 MEETING TO ACCEPT A MAVROS-KANNELOPOULOS CIVILIAN GOVERNMENT AS MAVROS, KANNELOPOULOS, AND OTHERS HAD STATED CARAMANLIS

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WOULD BE UNWILLING TO SERVE. ZOLOTAS SAID HE WAS LAST TO SPEAK

AT MEETING, DISCLAIMED ANY POLITICAL PRETENSIONS, INSISTED THAT SITUATION CALLED FOR CARAMANLIS AS MAN OF SUFFICIENT STATURE AND POLITICAL SENSE TO SEE GREECE THROUGH MAJOR CRISIS, AND ADVISED THAT CARAMANLIS SHOULD BE PERSUADED TO COME BACK. AVEROFF (WHO HAD ALSO SPOKEN ON BEHALF CARAMANLIS) THEN CALLED AND MADE ARRANGEMENTS FOR CARAMANLIS' RETURN.

3. ECONOMIC SITUATION - ZOLOTAS SAID HE IS DRAWING UP A STATEMENT TO SPELL OUT RATHER BROADLY THE ECONOMIC FRAMEWORK IN WHICH GOVERNMENT WILL SEEK TO ACHIEVE SPECIFIC GOALS. STATEMENT, TO BE ISSUED NEXT WEEK, WILL BE DESIGNED TO REASSURE THE PEOPLE AND TO REBUILD CONFIDENCE. PRIMARY GOALS WILL INCLUDE STRENGTHENING CURRENCY, CURBING RATE OF INFLATION, COVERING INTERNATIONAL PAYMENTS DEFICITS, AND DIRECTING DEVELOPMENT OF ECONOMY IN RATIONAL MANNER. HE NOTED MOST IMMEDIATE ACTION WILL BE TO COMPLETE SYNDICATION OF EURODOLLAR LOAN TO BANK OF GREECE FOR \$150 TO \$200 MILLION (ATHENS 5154) TO HELP SHORE UP FOREIGN EXCHANGE RESERVES, AND ADDED THAT FURTHER FOREIGN BORROWING WILL HAVE TO BE ARRANGED. TO REBUILD CONFIDENCE, NOW THAT AGREEMENT HAD BEEN REACHED ON ENFORCING CYPRUS CEASEFIRE, HE SAID HE WAS IMMEDIATELY LIFTING EMERGENCY RESTRICTIONS ON BANK ACTIVITIES (ATHENS 5225).

4. FINANCE MINISTER JOHN PESMAZOGLOU - ZOLOTAS REGARDS PESMAZOGLOU AS ONE OF GREECE'S ABLEST ECONOMISTS WHO SHOULD STICK TO HIS PROFESSION AS HE DOESN'T HAVE FIBER TO BE A POLITICIAN BUT IS NOW FULL OF POLITICAL AMBITION. ZOLOTAS, WHOSE MINISTRY WOULD NORMALLY HANDLE EEC MATTERS, HAS AGREED TO LET PESMAZOGLOU TAKE OVER THESE ACTIVITIES, INCLUDING PRESSING FOR USE OF \$70 MILLION IN EUROPEAN INVESTMENT BANK (EIB) FUNDS WHICH HAD BEEN EARMARKED FOR GREECE BUT WERE SUSPENDED IN FALL 1967, PLUS ADDITIONAL EIB TRANCHES THAT WOULD OTHERWISE HAVE BEEN PROVIDED.

5. OFFICIAL CHANGES - ZOLOTAS SAID CARAMANLIS IS CONSIDERING GREAT MANY CHANGES IN MANAGEMENT OF FINANCIAL AND ECONOMIC INSTITUTIONS, WITH PANAYOTIS PAPALIGOURAS AS POSSIBLE CANDIDATE FOR GOVERNOR OF BANK OF GREECE. (PAPALIGOURAS IS CLOSE FRIEND OF CARAMANLIS AND LAST SERVED AS MINISTER OF COORDINATION 1961-63.)

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6. HELLENIC AIRCRAFT MAINTENANCE FACILITY - ZOLOTAS SAID HE HAD BEEN ASKED BY MINISTER OF DEFENSE AVEROFF TO GIVE HIGH PRIORITY TO SIGNATURE OF AGREEMENT WITH LOCKHEED AIRCRAFT SERVICES FOR THIS IMPORTANT PROJECT. ZOLOTAS SAID HE AND UNDER SECRETARY DEVLETOGLOU PLANNED TO MEET LATER JULY 31 WITH LOCKHEED OFFICIALS AND ALSO TO STUDY PROPOSED CONTRACT AS BASIS FOR EXPEDITING APPROVAL.

7. COMMENT: I BELIEVE ZOLOTAS IS IDEALLY SUITED TO RE-
ESTABLISH GREECE'S ECONOMIC CREDIBILITY BOTH INTERNALLY AND
EXTERNALLY. HE IS HIGHLY RESPECTED AND TRUSTED, KNOWS WHAT HE
IS DOING, AND IS ATTRACTING ABLE MEN AROUND HIM. HE IS ALSO
WISELY TRYING TO DIRECT JOHN PESMAZOGLOU'S ENERGIES
CONSTRUCTIVELY TOWARD ESTABLISHING CLOSER RELATIONS WITH EEC
AND EUROPEAN INVESTMENT BANK IN EFFORT TO SOLVE GREECE'S
FINANCIAL PROBLEMS. WHILE GREECE'S ECONOMIC PROBLEMS ARE
DIFFICULT AND THEIR RESOLUTION WILL BE HEAVILY DEPENDENT UPON
CONTINUED PROGRESS IN POLITICAL-MILITARY SPHERE, ONE
IS ENCOURAGED BY ZOLOTAS' PROFESSIONALISM AND DETERMINATION
TO DO A GOOD JOB.

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